



MORTGAGE BANKERS ASSOCIATION



October 22, 2022

The Honorable Alanna McCargo  
President  
Ginnie Mae  
451 Seventh Street, Room B-133  
Washington, DC 20410

The Honorable Julia Gordon  
Commissioner  
Federal Housing Administration  
451 7<sup>th</sup> Street SW  
Washington, DC. 20410-8000

**RE: Request for Input: FHA and Ginnie Mae Title I Manufactured Housing Programs**

Dear Ginnie Mae President McCargo and FHA Commissioner Gordon:

The Community Home Lenders of America (CHLA) and Mortgage Bankers Association (MBA) write to submit comments in response to Ginnie Mae's Request for Input on policy enhancements for FHA's Title I Manufactured Home Loan Program.

We acknowledge that the formal deadline for submitting comments has passed, but since we believe the Title 1 Manufactured Home Loan Program is important, we are sending these recommendations at this time.

The need for reform of FHA's Title I program is clear. Over three-quarters of all manufactured home loans are personal property loans. However, according to FHA's 2021 Annual Management Report, only three FHA Title I loans were insured in FY 2021, with a total volume of only \$101,500.

Lenders are safely and profitably originating personal property manufactured home loans every day, but do not have a secondary market to securitize those loans. Neither Fannie Mae nor Freddie Mac has purchased a personal property manufactured home loan in over 15 years. And as noted, the FHA Title 1 program has slowed to a trickle.

Thus, we recommend the following changes to Title 1, along with a reduction in Ginnie Mae issuer requirements.

**FHA Title 1 Changes**

In November of 2021, FHA implemented some changes to the Title I program. While appreciated, we believe it is essential to adopt a number of additional changes in order to rejuvenate the program.

Specifically, we suggest the following revisions to the FHA Title 1 manufactured home loan program:

- **Raise Title I Loan Limits, As Annually Required by HERA.** FHA should increase the Title I Loan Limits as required by statute. This is vital because construction costs have increased dramatically since the last update in 2018.

We appreciate FHA's action this week to start a rulemaking to increase Title 1 loan limits, and we encourage FHA to expeditiously complete this action.

- **Amend the Lender Origination Fee Cap.** FHA currently has a cap of two percent for origination/underwriting fees for Title I loans. The low dollar value of manufactured homes means fees lenders are allowed to charge generally do not cover the costs of underwriting for these smaller manufactured home loans. Therefore, we ask that FHA adjust the cap to the greater of two percent or \$2,000, in order to ensure this allowance is sufficient.
- **Ensure Consistent Definitions.** The FHA handbook uses definitions that are not consistent with the Manufactured Home Construction and Safety Standards Act and in the HUD Code. Ensuring consistency with the terms in the law would eliminate confusion.
- **Create Underwriting Parity with Title II Loans.** A number of requirements under Title I are significantly more restrictive than for Title II borrowers, including the financing of closing costs, guidelines on gifted funds, DTI Ratios, and bankruptcy requirements. Title I guidelines should mirror Title II guidelines.

#### **Ginnie Mae Issuer Financial Requirement Reductions**

There is a widespread consensus that Ginnie Mae's financial requirements for Title I manufactured home loan issuers, which are significantly higher than for Title II issuers, are a significant impediment to more lenders originating Title I loans and securitizing them as a Ginnie Mae issuer.

Therefore, while we understand that the risk sharing requirements of Title I are a contributing factor to these higher requirement levels than for Title II, we urge Ginnie Mae to review and revise their issuer requirements so that they are set no higher than is necessary to protect itself against counterparty risk of loss in Title I loans.

Thank you for consideration of these comments.

Sincerely yours,

Community Home Lenders of America  
Mortgage Bankers Association